

TO: Board Members

THROUGH: Jeff Walker, Executive Administrator
Amanda Lavin, Assistant Executive Administrator
Todd Chenoweth, Interim General Counsel

FROM: David Duran, Financial Analyst, Debt & Portfolio Management
Rebecca Trevino, Chief Financial Officer

DATE: February 9, 2017

SUBJECT: Approve selection of a Financial Advisor

ACTION REQUESTED

Consider (a) the selection and approval of a financial advisor to serve the Texas Water Development Board; and (b) authorize the Executive Administrator to negotiate and enter into a contract with the financial advisor.

BACKGROUND

On November 1, 2016, a Request for Proposal (RFP) was sent to firms listed on the Centralized Master Bidders List and an internal Texas Water Development Board (TWDB) distribution list seeking proposals for financial advisory services for the TWDB. The RFP was posted on the State Electronic Business Daily for 30 days. The following four firms submitted proposals.

Estrada Hinojosa & Company, Inc.
First Southwest, a Division of Hilltop Securities Inc.
PFM Financial Advisors LLC
TKG & Associates LLC

An internal review team independently reviewed the proposals to develop a recommendation based on the RFP criteria. The review team's selection of the financial advisor was based primarily on the firm's experience related to the issuance of pooled municipal obligations for water and wastewater projects, understanding of the TWDB's programs, overall analytical and quantitative capabilities, and the firm's proposed plan to service the TWDB. The review team ranked First Southwest, a Division of Hilltop Securities Inc. as the highest scoring firm.

Our Mission

To provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas

Board Members

Bech Bruun, Chairman | Kathleen Jackson, Board Member | Peter Lake, Board Member
Jeff Walker, Executive Administrator

KEY ISSUES

It is expected that selection of one financial advisory firm will be sufficient for the bond transactions currently anticipated. However, the TWDB can retain the option to approve the selection of a second financial advisor in the future pursuant to the scoring of the RFP if it is deemed prudent.

The maximum value for the contract is estimated to be \$1,000,000, representing the degree of complexity and estimated number of bond transactions expected for the two year term of the contract. It is anticipated that the TWDB will likely issue an increased amount of revenue bonds during this period which are more complex than General Obligation bonds in order to meet the growing needs of the state. The majority of payments made under the contract will be paid from bond proceeds; however a portion may be paid from general revenue or other sources for services unrelated to a bond sale such as prepayment analysis, bond call verification, modeling, etc. It is anticipated that the contract term will cover the period from March 1, 2017 through February 28, 2019.

RECOMMENDATION

Based on the review of the submitted RFPs, the Executive Administrator recommends that the Texas Water Development Board: (a) select First Southwest, a Division of Hilltop Securities Inc. as financial advisor; and (b) authorize the Executive Administrator to negotiate and enter into a financial advisory consultant contract.